

Q4 2016



City of Brawley Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2016)

Brawley In Brief

Brawley's October through December receipts were 15.4% below 2015's fourth quarter results. Excluding reporting aberrations, actual sales were down 11.1%.

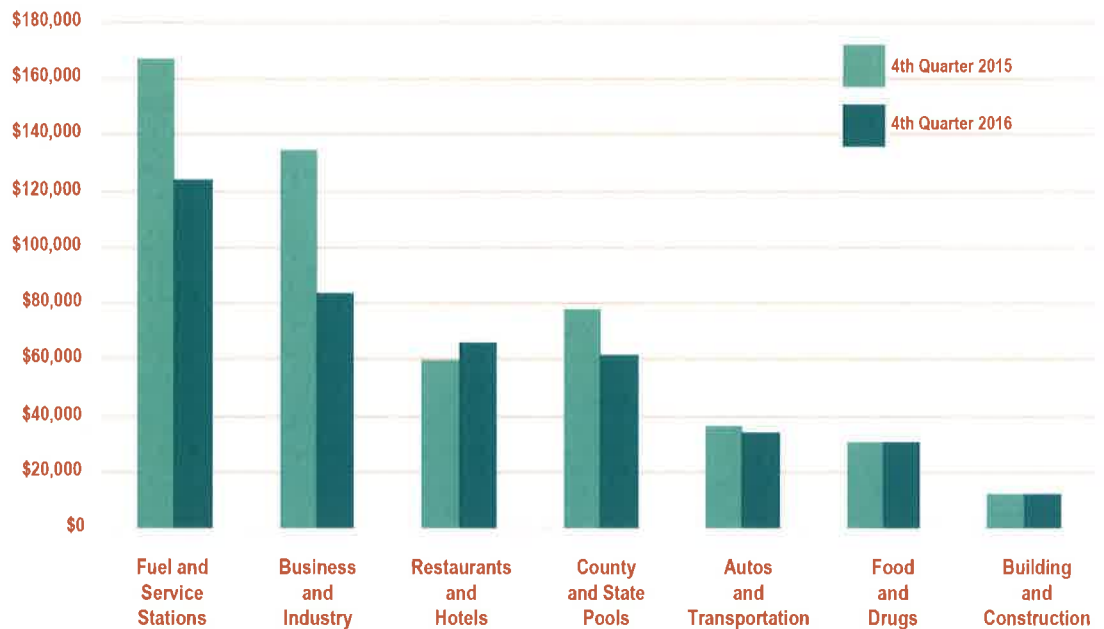
Receipts from most major industry groups declined this quarter. One-time reporting aberrations that inflated year-ago receipts exaggerated the decrease in the fuel and service station category. Conversely, business and industry and autos and transportation results were worse than the raw data showed.

A large retroactive takeaway from the countywide use tax pool contributed to the decline in the City's allocation of use tax.

The restaurant and hotel segment was up but temporary reporting aberrations boosted gains. Building and construction proceeds were little-changed from the comparison quarter.

Net of aberrations, taxable sales for Imperial County and its cities fell 12.5% from the year-ago period; the Southern California region was up 1.4%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

7 Eleven	Las Chabelas Restaurant
Arco AM PM	Lidco Imperial Valley
AutoZone	McDonalds
Carl's Jr	McNeece Bros Oil
Circle K 76	Pioneers Memorial Hospital
Dollar Tree	RDO Water
Exxon	Rite Aid
Fillco	Shell
Hydraulics & Bearing Supply	USA Gasoline
Imperial Hardware	Vons
Jack in the Box	Walmart Online
Johnnys Burritos	Walmart Supercenter
Jordan Implement	

REVENUE COMPARISON

Three Quarters – Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$1,533,964	\$1,459,765
County Pool	192,971	207,449
State Pool	1,749	825
Gross Receipts	\$1,728,684	\$1,668,040
Less Triple Flip*	\$(432,171)	\$0

*Reimbursed from county compensation fund

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Statewide Results

Statewide sales tax receipts for the fourth quarter rose 1.5% over 2015, when excluding reporting aberrations.

The largest gain was in the county-wide use tax allocation pools due to the acceleration in online shopping where many of the orders are placed to, or shipped from, out-of-state fulfillment centers. Restaurant and auto sales closed the calendar year with strong results while receipts from general consumer goods were flat. Off-price apparel and dollar store gains offset declines in traditional department stores and warehouse retailers.

Business and industry receipts were down due to cutbacks in major energy projects; however, huge gains in warehouse fulfillment centers that fill in-state shipments from online orders somewhat negated the decline.

On an annual basis, the statewide gain ended 2.1% higher than calendar year 2015.

The Shrinking, Disappearing Retail Store

Agencies dependent on traditional brick-and-mortar retail stores for a major portion of their sales tax will be facing new challenges in the coming year as merchants retrench and downsize to cope with a rapidly changing environment.

Generational preferences for experiences over merchandise, plus the growing costs of health care, education and housing, are reducing discretionary spending for taxable goods while time-challenged consumers are opting for the convenience of online shopping.

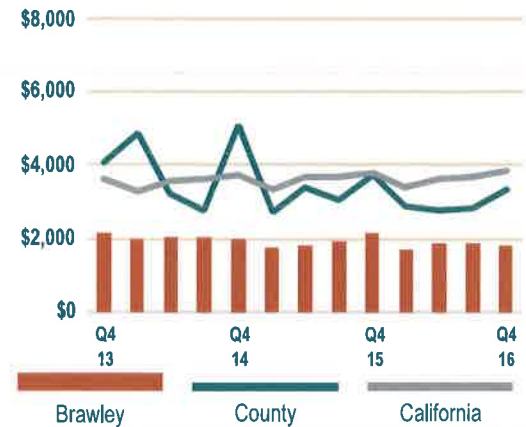
Online sales accounted for 13.0% of all general consumer goods purchased in 2016 with a 9.2% gain over calendar year 2015, while the growth in tax receipts from brick-and-mortar stores only grew 0.6%. The trend has been accelerated by the growing popularity of smart phones which Amazon estimates were used by nearly 70% of its shoppers during the most recent holiday quarter.

Retailers are responding by increasing their investment in mobile shopping platforms and delivery systems while pulling back investment on brick-and-mortar stores. Substantial closures are planned for 2017 while experiments with smaller stores, pick-up locations for online purchases, temporary "pop-up" shops and subleasing in-store space to others are on the rise.

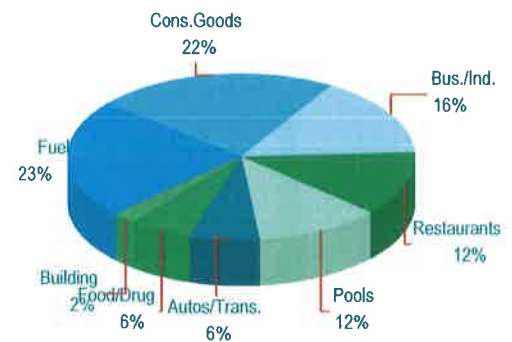
Mall operators are turning to grocers, fitness centers, medical services and residential components to fill vacant space and attract traffic. Smaller centers and downtown areas are responding by enhancing the shopping experience with more dining and entertainment options while local governments seek voter approval for higher levies to offset shrinking tax bases.

Stores are not in danger of disappearing. The ability to see, touch and feel, along with the overall shopping experience, will always be important. But evolving trends are requiring more focused economic strategies with better data and closer collaborations. The ultimate solution may be tax rates levied against today's economy rather than the one that existed when sales tax was first imposed in 1933.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP Brawley This Quarter



BRAWLEY TOP 15 BUSINESS TYPES

Business Type	Brawley		County	HdL State
	Q4 '16	Change	Change	Change
Auto Repair Shops	5,881	2.9%	-0.6%	4.3%
Automotive Supply Stores	19,817	-33.9%	-6.1%	-0.1%
Building Materials	— CONFIDENTIAL —		1.6%	0.7%
Casual Dining	16,631	14.7%	5.7%	2.6%
Convenience Stores/Liquor	5,857	-9.5%	5.8%	5.1%
Discount Dept Stores	— CONFIDENTIAL —		-6.6%	-0.6%
Drug Stores	— CONFIDENTIAL —		11.2%	10.2%
Fulfillment Centers	— CONFIDENTIAL —		3.1%	26.2%
Grocery Stores	— CONFIDENTIAL —		-1.1%	3.9%
Petroleum Prod/Equipment	— CONFIDENTIAL —		-28.0%	-1.9%
Quick-Service Restaurants	49,021	9.4%	3.3%	5.7%
Receivables/Master Outlets	— CONFIDENTIAL —		123.0%	115.6%
Service Stations	79,962	0.0%	17.6%	-1.1%
Variety Stores	— CONFIDENTIAL —		12.3%	5.5%
Warehse/Farm/Const. Equip.	53,331	-46.3%	-37.3%	-1.7%
Total All Accounts	476,716	-14.7%	-10.3%	2.4%
County & State Pool Allocation	61,514	-20.8%	-16.7%	6.9%
Gross Receipts	538,230	-15.4%	-11.1%	3.0%